
HOUSE BILL 1206

State of Washington

69th Legislature

2025 Regular Session

By Representatives Low, Leavitt, and Jacobsen

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1 AN ACT Relating to expanding eligibility to utilize the
2 multifamily tax exemption program to all counties required or
3 choosing to plan under RCW 36.70A.040; and amending RCW 84.14.010 and
4 84.14.040.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 84.14.010 and 2024 c 332 s 17 are each amended to
7 read as follows:

8 The definitions in this section apply throughout this chapter
9 unless the context clearly requires otherwise.

10 (1) "Affordable housing" means residential housing that is rented
11 by a person or household whose monthly housing costs, including
12 utilities other than telephone, do not exceed thirty percent of the
13 household's monthly income. For the purposes of housing intended for
14 owner occupancy, "affordable housing" means residential housing that
15 is within the means of low or moderate-income households.

16 (2) "Campus facilities master plan" means the area that is
17 defined by the University of Washington as necessary for the future
18 growth and development of its campus facilities for campuses
19 authorized under RCW 28B.45.020.

20 (3) "City" means either (a) a city or town with a population of
21 at least fifteen thousand, (b) the largest city or town, if there is

1 no city or town with a population of at least fifteen thousand,
2 located in a county planning under the growth management act, (c) a
3 city or town with a population of at least five thousand located in a
4 county subject to the provisions of RCW 36.70A.215, or (d) any city
5 that otherwise does not meet the qualifications under (a) through (c)
6 of this subsection, until December 31, 2031, that complies with RCW
7 84.14.020(1)(a)(iii) or 84.14.021(1)(b).

8 (4) "Conversion" means the conversion of a nonresidential
9 building, in whole or in part, to multiple-unit housing under this
10 chapter.

11 (5) "County" means a county (~~with an unincorporated population~~
12 ~~of at least 170,000~~) required or choosing to plan according to RCW
13 36.70A.040.

14 (6) "Governing authority" means the local legislative authority
15 of a city or a county having jurisdiction over the property for which
16 an exemption may be applied for under this chapter.

17 (7) "Growth management act" means chapter 36.70A RCW.

18 (8) "Household" means a single person, family, or unrelated
19 persons living together.

20 (9) "Low-income household" means a single person, family, or
21 unrelated persons living together whose adjusted income is at or
22 below eighty percent of the median family income adjusted for family
23 size, for the county, city, or metropolitan statistical area, where
24 the project is located, as reported by the United States department
25 of housing and urban development.

26 (10) "Moderate-income household" means a single person, family,
27 or unrelated persons living together whose adjusted income is more
28 than eighty percent but is at or below one hundred fifteen percent of
29 the median family income adjusted for family size, for the county,
30 city, or metropolitan statistical area, where the project is located,
31 as reported by the United States department of housing and urban
32 development.

33 (11) "Multiple-unit housing" means a building or a group of
34 buildings having four or more dwelling units not designed or used as
35 transient accommodations and not including hotels and motels.
36 Multifamily units may result from new construction or rehabilitated
37 or conversion of vacant, underutilized, or substandard buildings to
38 multifamily housing.

39 (12) "Owner" means the property owner of record.

1 (13) "Permanent residential occupancy" means multiunit housing
2 that provides either rental or owner occupancy on a nontransient
3 basis. This includes owner-occupied or rental accommodation that is
4 leased for a period of at least one month. This excludes hotels and
5 motels that predominately offer rental accommodation on a daily or
6 weekly basis.

7 (14) "Rehabilitation improvements" means modifications to
8 existing structures, that are vacant for twelve months or longer,
9 that are made to achieve a condition of substantial compliance with
10 existing building codes or modification to existing occupied
11 structures which increase the number of multifamily housing units.

12 (15) "Residential targeted area" means an area within an urban
13 center or urban growth area that has been designated by the governing
14 authority as a residential targeted area in accordance with this
15 chapter. With respect to designations after July 1, 2007,
16 "residential targeted area" may not include a campus facilities
17 master plan.

18 (16) "Rural county" means a county with a population between
19 fifty thousand and seventy-one thousand and bordering Puget Sound.

20 (17) "Substantial compliance" means compliance with local
21 building or housing code requirements that are typically required for
22 rehabilitation as opposed to new construction.

23 (18) "Urban center" means a compact identifiable district where
24 urban residents may obtain a variety of products and services. An
25 urban center must contain:

26 (a) Several existing or previous, or both, business
27 establishments that may include but are not limited to shops,
28 offices, banks, restaurants, governmental agencies;

29 (b) Adequate public facilities including streets, sidewalks,
30 lighting, transit, domestic water, and sanitary sewer systems; and

31 (c) A mixture of uses and activities that may include housing,
32 recreation, and cultural activities in association with either
33 commercial or office, or both, use.

34 **Sec. 2.** RCW 84.14.040 and 2021 c 187 s 4 are each amended to
35 read as follows:

36 (1) The following criteria must be met before an area may be
37 designated as a residential targeted area:

38 (a) The area must be within an urban center, as determined by the
39 governing authority;

1 (b) The area must lack, as determined by the governing authority,
2 sufficient available, desirable, and convenient residential housing,
3 including affordable housing, to meet the needs of the public who
4 would be likely to live in the urban center, if the affordable,
5 desirable, attractive, and livable places to live were available;

6 (c) The providing of additional housing opportunity, including
7 affordable housing, in the area, as determined by the governing
8 authority, will assist in achieving one or more of the stated
9 purposes of this chapter;

10 (d) If the residential targeted area is designated by a county,
11 the area must be located in an unincorporated area of the county that
12 is within an urban growth area under RCW 36.70A.110 (~~and the area
13 must be: (i) In a rural county, served by a sewer system and
14 designated by a county prior to January 1, 2013; or (ii) in a county
15 that includes a campus of an institution of higher education, as
16 defined in RCW 28B.92.030, where at least one thousand two hundred
17 students live on campus during the academic year; and (iii) until
18 July 15, 2024, in a county seeking to promote transit supportive
19 densities and efficient land use in an area that is located within a
20 designated urban growth area and within .25 miles of a corridor where
21 bus service is scheduled at least every thirty minutes for no less
22 than 10 hours per weekday and is in service or is planned for service
23 to begin within five years of designation)); and~~

24 (e) For a residential targeted area designated by a county after
25 July 25, 2021, the county governing authority must conduct an
26 evaluation of the risk of potential displacement of residents
27 currently living in the area if the tax incentives authorized in this
28 chapter were to be used in the area. The county may use an existing
29 analysis if one exists. An area may not be designated as a
30 residential targeted area unless: (i) The evaluation finds that the
31 risk of displacement is minimal; or (ii) the governing authority
32 mitigates the risk of displacement with locally adopted mitigation
33 measures such as, but not limited to, ensuring that those directly or
34 indirectly displaced have a first right of refusal to occupy the
35 newly created dwelling units receiving an exemption under this
36 chapter, including the affordable units if they otherwise meet the
37 qualifications.

38 (2) For the purpose of designating a residential targeted area or
39 areas, the governing authority may adopt a resolution of intention to
40 so designate an area as generally described in the resolution. The

1 resolution must state the time and place of a hearing to be held by
2 the governing authority to consider the designation of the area and
3 may include such other information pertaining to the designation of
4 the area as the governing authority determines to be appropriate to
5 apprise the public of the action intended.

6 (3) The governing authority must give notice of a hearing held
7 under this chapter by publication of the notice once each week for
8 two consecutive weeks, not less than seven days, nor more than thirty
9 days before the date of the hearing in a paper having a general
10 circulation in the city or county where the proposed residential
11 targeted area is located. The notice must state the time, date,
12 place, and purpose of the hearing and generally identify the area
13 proposed to be designated as a residential targeted area.

14 (4) Following the hearing, or a continuance of the hearing, the
15 governing authority may designate all or a portion of the area
16 described in the resolution of intent as a residential targeted area
17 if it finds, in its sole discretion, that the criteria in subsections
18 (1) through (3) of this section have been met.

19 (5) After designation of a residential targeted area, the
20 governing authority must adopt and implement standards and guidelines
21 to be utilized in considering applications and making the
22 determinations required under RCW 84.14.060. The standards and
23 guidelines must establish basic requirements for both new
24 construction and rehabilitation, which must include:

25 (a) Application process and procedures;

26 (b) Income and rent standards for affordable units;

27 (c) Requirements that address demolition of existing structures
28 and site utilization; and

29 (d) Building requirements that may include elements addressing
30 parking, height, density, environmental impact, and compatibility
31 with the existing surrounding property and such other amenities as
32 will attract and keep permanent residents and that will properly
33 enhance the livability of the residential targeted area in which they
34 are to be located.

35 (6) (a) The governing authority may adopt and implement, either as
36 conditions to eight-year exemptions or as conditions to an extended
37 exemption period under RCW 84.14.020(1)(a)(ii) (B) or (C), or as
38 conditions to any combination of exemptions authorized under this
39 chapter, more stringent income eligibility, rent, or sale price
40 limits, including limits that apply to a higher percentage of units,

1 than the minimum conditions for an extended exemption period under
2 RCW 84.14.020(1)(a)(ii)(B) or (C).

3 (b) Additionally, a governing authority may adopt and implement
4 as a contractual prerequisite to any exemption granted pursuant to
5 RCW 84.14.020:

6 (i) A requirement that applicants pay at least the prevailing
7 rate of hourly wage established under chapter 39.12 RCW for journey
8 level and apprentice workers on residential and commercial
9 construction;

10 (ii) Payroll record requirements consistent with RCW
11 39.12.120(1);

12 (iii) Apprenticeship utilization requirements consistent with RCW
13 39.04.310; and

14 (iv) A contracting inclusion plan developed in consultation with
15 the office of minority and women's business enterprises.

16 (7) For any multiunit housing located in an unincorporated area
17 of a county, a property owner seeking tax incentives under this
18 chapter must commit to renting or selling at least twenty percent of
19 the multifamily housing units as affordable housing units to low and
20 moderate-income households. In the case of multiunit housing intended
21 exclusively for owner occupancy, the minimum requirement of this
22 subsection (7) may be satisfied solely through housing affordable to
23 moderate-income households.

24 (8) Nothing in this section prevents a governing authority from
25 adopting and implementing additional requirements to any exemption
26 granted under RCW 84.14.020.

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